

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE APPLICATION</b>	)	
<b>OF PACIFICORP DBA UTAH POWER &amp;</b>	)	<b>CASE NO. PAC-E-02-1</b>
<b>LIGHT COMPANY FOR APPROVAL OF</b>	)	
<b>CHANGES TO ITS ELECTRIC SERVICE</b>	)	<b>INTERLOCUTORY</b>
<b>SCHEDULES.</b>	)	<b>ORDER NO. 28946</b>
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On January 7, 2002, PacifiCorp dba Utah Power & Light Company (PacifiCorp; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting approval of the Company's proposed electric service schedules. Included in the Company's filing is a proposed Schedule 34-BPA Exchange Credit distribution. The BPA Credit is being processed under Modified Procedure, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204. The remainder of the Company's filing—Cost of Service (COS) study, proposed Power Cost Surcharge (\$38 million) and a proposed Rate Mitigation Adjustment (RMA)—is being processed and handled separately.

**Schedule 34—BPA Exchange Credit**

PacifiCorp reports that in May 2001 it entered into a Settlement Agreement with the Bonneville Power Administration (BPA Settlement) regarding the exchange benefits to be provided by BPA through September 30, 2006 to qualifying residential and small farm customers. The BPA Settlement, the Company contends, will provide approximately \$34 million in benefits to Idaho customers in 2002.

The Company in this case proposes an increase in the Bonneville Power Administration credit to the recently settled amount. The Bonneville Power Administration (BPA) residential and small farm exchange credit is a mechanism to provide benefits to qualifying customers of investor-owned utilities (like Utah Power) from the Federal Columbia River Hydroelectric system and to satisfy BPA's obligations under the Northwest Power Act of 1980. The credit is available only to residential and small farm customers and is provided to the Company's customers in Idaho through electric service Schedule No. 34. In recent years the benefits have been allocated 43% to residential customers and 57% to irrigation customers. The

Company's previous exchange agreement with BPA expired in 2001, and a new agreement (the 2001 Settlement) was entered into to provide a continuation of exchange benefits. In its 2001 negotiations, the Company reports that BPA proposed an alternative to the traditional exchange. The alternative was to provide investor-owned utilities (IOUs) the option to purchase actual power or rights to power through a subscription process. IOUs that chose subscription did so as a settlement of their exchange rights for this period. The subscription was further split between actual power and a monetary portion that was calculated as a difference between BPA's price and BPA's forecasted market price. BPA expects that it will be required to purchase additional resources in order to serve that portion of the subscription that is to be delivered as actual power. Faced with the potential of very high costs for these additional resources, PacifiCorp agreed to forego its right to actual power for an overall financial settlement of its exchange benefits. The resulting financial 2001 Settlement provides \$34 million in benefits to qualifying Idaho customers for the first year and \$35.2 million in the second year. This level, the Company reports, is substantially higher than historical levels. The Company proposes to allocate the Settlement amounts between qualifying residential and small farm customers in the same manner as the prior exchange agreement (i.e., 43% to residential customers and 57% to small farm).

BPA increased its credit to PacifiCorp effective October 1, 2001. PacifiCorp contends that it has a contractual obligation to pass the credit through to its customers in a timely manner. Consequently, the Company is proposing that the Schedule 34 BPA credit be approved for a February 1, 2002 effective date.

PacifiCorp proposes to have the anticipated four months' worth of accrued credit (for the period from October 1, 2001 until the new credit level is implemented in rates) for residential customers included in the first year's credit rate. In other words, the rate for the first year will be set to distribute 16 months of a normal year's amount for residential customers. The total amount of BPA credit the Company proposes to distribute to qualifying customers in year one is \$40.6 million. At the end of the first year, the rate will be reset to match a normal 12 months credit. The Company proposes no adjustment for the four-month lag for small farm customers. Irrigation usage, the Company contends, is largely completed by October 1. Those payments, the Company also contends, fluctuate significantly year-to-year due to differences in irrigation usage during the irrigation season.

On January 16, 2002, the Commission issued Notices of Application and Modified Procedure in Case No. PAC-E-02-1 with respect to the proposed Schedule 34-BPA Exchange Credit. The deadline for filing written comments was Thursday, January 24, 2002. The Commission Staff was the only party to file comments. Staff recommends that the BPA Credit be approved for the requested effective date of February 1, 2002. Staff sees the BPA Credit as a great benefit to residential and small farm customers. The Credit will reduce residential customers' rates by an average of 44% and small farm irrigation rates by 63%. Staff submits the following schedule showing the estimated effect of the proposed BPA Credit on revenues from electric sales to ultimate consumers by rate schedules in Idaho for year one.

<b>UTAH POWER ESTIMATED EFFECT OF PROPOSED BPA CREDIT ON REVENUES FROM ELECTRIC SALES TO ULTIMATE CONSUMERS BY RATE SCHEDULES IN IDAHO - Year 1</b>										
Line No.	Acct No.	Description	Sch. No.	Average No. of Customers	MWh	Current Revenues (\$000)			Proposed Sch. 34	
						Base Rev	Sch. 34 Credit	Net Rev	Credit (\$000)	Percent %
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(19)	(20)
								(6)+(7)		(19)/(6)
	440	<b>Residential Sales</b>								
1		Residential Service	1	28,524	257,880	\$ 22,056	(\$951)	\$21,105	(\$8,619)	-39.08%
2		Residential Optional TOD	36	<u>15,933</u>	<u>303,528</u>	<u>\$ 20,383</u>	<u>(\$1,039)</u>	<u>\$19,344</u>	<u>(\$10,132)</u>	<u>-49.71%</u>
3		<b>Total Residential</b>		44,457	561,408	\$ 42,439	(\$1,990)	\$40,449	(\$18,751)	-44.18%
	442	<b>Commercial &amp; Industrial</b>								
4		General Svc - Lrg Power (R&F)	6A	222	28,149	\$ 1,761	(\$93)	\$ 1,668	(\$929)	-52.75%
5		Irrigation Rate	10	1,876	615,632	\$ 32,327	(\$5,578)	\$26,749	(\$20,344)	-62.93%
6		General Svc (R&F)	23A	1,310	16,388	\$ 1,468	(\$53)	\$ 1,415	(\$540)	-36.78%
7		Security Area Lighting (R&F)	7A	<u>181</u>	<u>141</u>	<u>\$38</u>	<u>(\$1)</u>	<u>\$37</u>	<u>(\$5)</u>	<u>-13.16%</u>
8		<b>Total Sales to Ultimate Consumers</b>		54,387	3,152,295	\$151,751	(\$7,715)	\$144,036	(\$40,569)	-26.73%

## **COMMISSION FINDINGS**

The Commission has reviewed the filings of record and comments in Case No. PAC-E-02-1 regarding PacifiCorp's proposed Schedule 34-BPA Exchange Credit. We continue to find that the public interest does not require a hearing on this issue and that it is appropriate to process the matter pursuant to Modified Procedure, i.e., by written submission rather than by hearing. Reference IDAPA 31.01.01.204.

The Company in this case proposes to distribute the exchange benefits negotiated in a May 2001 Settlement Agreement with the Bonneville Power Administration (BPA). The proposed credit will benefit qualifying residential and small farm customers in eastern Idaho and will provide appropriate benefits from regional power as contemplated by the 1980 Pacific Northwest Electric Power Planning and Conservation Act. The Idaho Public Utilities Commissioners wish to express their appreciation to the Bonneville Power Administration for its acknowledgment that the benefits of the Federal Columbia River Power System (FCRPS) should be spread to all the residents of the Pacific Northwest. This is a significant step to more equitably share the benefits provided by the FCRPS to the residential and small farm customers of PacifiCorp.

The Commission finds it reasonable to approve the proposed electric Tariff Schedule 34-BPA Exchange Credit distribution for an effective date of February 1, 2002.

## **ORDER**

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED and the Commission by interlocutory Order does hereby approve the proposed electric Tariff Schedule 34-BPA Exchange Credit for qualifying residential and small farm customers of PacifiCorp for an effective date of February 1, 2002.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this  
day of January 2002.

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PAUL KJELLANDER, PRESIDENT

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MARSHA H. SMITH, COMMISSIONER

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DENNIS S. HANSEN, COMMISSIONER

ATTEST:

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Jean D. Jewell  
Commission Secretary

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